

Message Text

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L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05

SS-15 STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02

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UNCLAS SECTION 1 OF SECTION 3 NEW DELHI 9659

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SUBJECT: INDIAN TARIFF AND NON-TARIFF MEASURES

REF: (A) STATE 138925, (B) NEW DELHI 5354, (C) NEW DELHI 8643

1. SUMMARY. SINCE APRIL 3, WHEN THE NEW IMPORT/EXPORT POLICY WENT INTO EFFECT, THE GOI HAS REDUCED BASIC IMPORT DUTY ON CERTAIN MACHINE TOOLS, TESTING MACHINES AND INSTRUMENTS TO 25 PERCENT AND HAS MADE MANY TARIFF RELAXATIONS IN AUXILIARY (SURCHARGE) AND COUNTERVAILING IMPORT DUTIES. MOST INDIAN NON-TARIFF MEASURES (NTM) RESULT DIRECTLY FROM THE ANNUAL IMPORT POLICY, WHICH CONTINUES TO BE PRIMARILY CONCERNED WITH LICENSING, RESTRICTING AND REGULATING INDIAN IMPORTS (REF B). CHANGES IN NTM ARE REFLECTED IN NUMEROUS OFFICIAL NOTIFICATIONS AND MANY OTHER ORDERS WHICH ARE SUMMARIZED BELOW. GOI IMPORT POLICY REGULATIONS STILL REMAIN UNCLEAR TO MOST INDUSTRY AND TRADE REPRESENTATIVES WHO ARE SUBMITTING MEMORANDA TO CONCERNED GOI MINISTRIES AND ARE MEETING GOI OFFICIALS, BUT SOME FUTURE CLARIFICATION IS EXPECTED. TRADE CIRCLES ARE ALSO CRITICAL OF THE ADVERSE INTERPRETATIONS OF MANY REGULATIONS BY INDIAN CUSTOMS

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AUTHORITIES. END SUMMARY.

2. NTM AND FOREIGN TRADE POLICY. MOST NON-TARIFF MEASURES (NTM) RESULT DIRECTLY FROM A NUMBER OF APPENDICES TO THE IMPORT POLICY BOOK (IPB), EXPORT POLICY BOOK (EPB) AND HAND BOOK OF IMPORT-EXPORT PROCEDURES (HBIEP), TRANSMITTED IN NEW DELHI A-82, A-83 AND A127, RESPECTIVELY.

THESE APPENDICES LIST VARIOUS ITEMS IN CERTAIN IMPORT AND EXPORT CATEGORIES, WHICH REFLECT THE DEGREE OF SEVERITY OF INDIAN NON-TARIFF MEASURES. IMPORTS OF ABOUT 100 ITEMS ARE ABSOLUTELY BANNED (IPB-APPENDIX 4); ABOUT 850 ITEMS, ORDINARILY BANNED (APPENDICES 1, 3 AND 6); AND OVER 500 ITEMS, RESTRICTED (APPENDICES 5 AND 7).IN ADDITION, IMPORTS OF 65 ITEMS ARE DIRECTLY CANALIZED THROUGH SPECIFIED GOI ORGANIZATIONS. IMPORTS OF MANY OTHER ITEMS, WHICH ARE ON OPEN GENERAL LICENSE (OGL) AND SO NOT CONTROLLED (REF B), ARE PERMITTED ONLY THROUGH CERTAIN GOI AGENCIES (NEW DELHI 9323).

3. COMPLIANCE WITH OTHER GOI LAWS. THERE IS AN OVER-RIDING CLAUSE IN THE POLICY BOOKS WHICH MAKES IT CLEAR THAT AN IMPORT OR EXPORT LICENSE IS ISSUED WITHOUT PREJUDICE TO THE OPERATION OF "OTHER LAWS" TO WHICH THE GOODS (INCLUDING OGL ITEMS) OR THE APPLICANT/LICENSE HOLDER MAY BE SUBJECT (HBIEP PAGE 1). THERE ARE ALSO CERTAIN HEALTH REGULATIONS. QUANTITATIVE RESTRICTIONS AND EXPORT-LINKED IMPORT RESTRICTIONS. FOR INSTANCE, GOI CHIEF CONTROLLER OF IMPORTS AND EXPORTS (CCIE) CONSIDERS APPLICATIONS FOR IMPORTING ANIMALS, PLANTS AND PLANT MATERIALS ONLY ON THE RECOMMENDATION OF GOI DEPARTMENT OF AGRICULTURE (IPB CHAPTER 14 PAGES 11 AND 12). LIKEWISE APPENDIX 2 OF EPB LISTS TWELVE SUCH ACTS WHICH "PROHIBIT OR REGULATE" EXPORT OF CERTAIN ITEMS. WE WILL PROCURE AND SEND MORE INFORMATION, IF AVAILABLE, FROM UNCLASSIFIED

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RELEVANT GOI AGENCIES.

4. GOI NOTIFICATIONS AND ORDERS. CHANGES IN THE OPERATIONS OF GOI IMPORT AND EXPORT LICENSING AND REGULATIONS ARE PUBLISHED BY CONCERNED GOI MINISTRIES IN NUMEROUS NOTIFICATIONS AND MANY OTHER ORDERS. MAJOR HIGHLIGHTSOF OVER 50 SUCH NOTIFICATIONS AND ORDERS ISSUED SINCE APRIL 3, 1978 (THE ANNOUNCEMENT DATE OF THE 1978-79 IMPORT -EXPORT POLICY) ARE AS FOLLOWS.

5. OGL ITEMS. THROUGH PUBLIC NOTICE 36 OF MAY 24, 1978 ISSUED BY DEPARTMENT OF COMMERCE, "ROCK SALT"IS NOW AN OGL ITEM (EARLIER BANNED). EFFECTIVE APRIL 3, 1978, GOI GAVE PERMISSION TO ACTUAL USERS LOCATED IN FREE TRADE ZONES TO IMPORT MACHINERY; RAW MATERIALS; COMPONENTS; MACHINERY SPARE PARTS; CONSUMABLES; TOOLS, JIGS, GAUGES AND FIXTURES;PACKING MATERIALS; PROTOTYPES; OFFICE EQUIPMENT; AND TECHNICAL AND TRADE SAMPLES UP TO RS.10,000 C.I.F. VALUE.

6. UNCLEAR IMPORT POLICY AND TRANSITIONAL ARRANGEMENTS.

ALTHOUGH IPB PROVIDED A CHAPTER ON TRANSITIONAL ARRANGEMENTS (PAGES 25-27), THE 1978-79 IMPORT POLICY REMAINED UNCLEAR ABOUT MANY IMPORT PROCEDURES RESULTING FROM THE POLICY CHANGES. THIS UNCERTAINTY ACTED AS A BARRIER TO TRADE. GOI HAS ATTEMPTED TO DILUTE THE NEGATIVE IMPACT OF THESE AMBIGUITIES THROUGH A PUBLIC NOTICE OF MAY 1, 1978 ISSUED BY MINISTRY OF COMMERCE. ACCORDING TO THIS NOTICE, CCIE COULD DEAL WITH THE IMPORT REPLENISHMENT APPLICATIONS (BASED ON EXPORTS EFFECTED BEFORE APRIL 3, 1978) UNDER EITHER THE 1977-78 OR THE 1978-79 POLICY IF THE OPTION FOR THE LATER POLICY IS EXERCISED BY THE EXPORTERS. ANOTHER NOTIFICATION OF MAY 15, 1978 CONTAINED A LARGE NUMBER OF EXECUTIVE INSTRUCTIONS TO FACILITATE IMPORT COMMITTED/ARRANGED BEFORE APRIL 3, 1978. HOWEVER, IN MANY CASES THESE UNCLASSIFIED

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INSTRUCTIONS HAVE ONLY ADDED TO THE CONFUSION, AND INDIAN IMPORTERS HAVE SUBMITTED MEMOS TO GOI ASKING FOR CLARIFICATION.

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IMPORT DUTIES REDUCED. EFFECTIVE 19 MAY 1978, THE GOI REDUCED THE BASIC IMPORT DUTIES ON CERTAIN MACHINE TOOLS, TESTING MACHINES AND INSTRUMENTS FROM THE EXISTING LEVELS (MOSTLY AROUND 40 PERCENT) TO 25 PERCENT AD

VALOREM. THESE ITEMS ARE:

- CAMSHAFT TURNING LATHE
- CRANKSHAFT TURNING LATHE
- GEAR QUENCHING PRESS
- AUTOMATIC STRAIGHT TOOTH BEVEL GEAR/HYPOID GEAR CUTTER SHARPENING MACHINE
- AUTOMATIC SPUR GEAR SHAPING CUTTER SHARPENING MACHINE
- AUTOMATIC HELICAL GEAR CUTTER SHARPENING MACHINE
- AUTOMATIC HOB CUTTER SHARPENING MACHINE
- HYDRAULIC EXTRUSION PRESSES FOR MANUFACTURE OF SEAMLESS TUBES OR PROFILES OF STEEL AND NON-FERROUS METALS
- IMPACT EXTRUSION PRESSES FOR MANUFACTURE OF RIGID AND COLLAPSIBLE TUBES
- AUTOMATIC RIGID CAN TRIMMING MACHINE FOR TRIMMING, THREADING, ROLLING, BEADING AND KNURLING HOLLOW BODIES OF NON-FERROUS METALS.

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8. EFFECTIVE 19 MAY 1978, THE GOI AMENDED THE DESCRIPTION AND ENLARGED THE COVERAGE UNDER ITEM 12 OF NOTIFICATION 40 OF MINISTRY OF FINANCE, DEPARTMENT OF REVENUE (TRANSMITTED AS ENCLOSURE 9 TO NEW DELHI A-56). THE BASIC IMPORT DUTY IS 25 PERCENT (PRE-BUDGET DUTY WAS AROUND 40 PERCENT). THE AMENDED DESCRIPTION IS "AUTOMATIC MULTI-STATION BOLT MAKING MACHINE COMPRISING OF FEEDING, CUTTING, UPSETTING AND THREADING MECHANISM WITH AUTOMATIC TRANSFER MECHANISM BETWEEN THE STATIONS". EFFECTIVE 1 MAY 1978, THE GOI BROUGHT DOWN TO 70 PERCENT THE BASIC IMPORT DUTY ON "UNWROUGHT COPPER (REFINED OR NOT)".

9. REDUCTION IN AUXILIARY DUTIES. ON MAY 12, 1978 THE MINISTRY OF FINANCE ISSUED SEVEN NOTIFICATIONS CONCERNING REDUCTIONS IN AUXILIARY DUTIES. FURTHER INFORMATION ON SUCH DUTIES IS CONTAINED IN NEW DELHI A-65). EFFECTIVE IMMEDIATELY, A VERY LARGE NUMBER OF ITEMS WERE EXEMPTED FROM THE AUXILIARY DUTY. MOST OF THESE NOTIFICATIONS WERE ONLY MARGINAL CHANGES IN THE EARLIER NOTIFICATIONS NOS. 52 TO 58 (TRANSMITTED ENCLOSURE 9 TO NEW DELHI A-56).

10. REDUCTION IN COUNTERVAILING (IMPORT) DUTIES. EFFECTIVE 25 MAY 1978, THE GOI EXEMPTED CELLULOSE NITRATE SHEETS AND CELLULOSE NITRATE FILMS (CHAPTER 39 OF INDIAN CUSTOMS TARIFF ACT 1975) FROM THE LEVY OF COUNTERVAILING DUTY (THIS IS GENERALLY EQUIVALENT TO EXCISE DUTY LEVIED ON LIKE ARTICLES). THROUGH VARIOUS NOTIFICATIONS MINISTRY OF FINANCE REDUCED IN FULL OR IN PART THE EXCISE DUTIES ON MANY OTHER ARTICLES. SOME RELEVANT ITEMS ARE THE FOLLOWING:

TRACTORS (EFFECTIVE MAY 1, 1978): PARTIAL REDUCTION
PARTS OF MOTOR VEHICLES AND
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TRACTORS USED AS ORIGINAL
EQUIPMENT PARTS IN THE MANUFACTURE
OF INTERNAL COMBUSTION ENGINES OF
THE STATIONARY TYPE (EFFECTIVE
MAY 1, 1978): COMPLETE EXEMPTION

COPPER AND COPPER ALLOYS
(EFFECTIVE MAY 1, 1978): PARTIAL REDUCTION

PARTICLE BOARDS, VENEERED WITH
PLYWOOD PANEL OR VENEERED
WITH SINGLY PLY VENEER ON ONE OR
BOTH SIDES (EFFECTIVE
MAY 29, 1978): PARTIAL REDUCTION

11. OTHER IMPORT POLICY CHANGES. EFFECTIVE 15 MAY 1978,
PARAS 181-184 OF HBIEP WILL NOW COVER "MOULDS AND DIES",
IN ADDITION TO "JIGS AND FIXTURES", WHICH AN ACTUAL
USER (INDUSTRIAL) CAN NORMALLY IMPORT UP TO VALUE OF
RS. 50,000 OR 10 PERCENT OF THE VALUE OF "AUTOMATIC
LICENSES". EFFECTIVE THE SAME DATE, COOPERATIVE SOCIETIES
OR ASSOCIATIONS OF ACTUAL USERS ARE ALLOWED TO IMPORT OGL
ITEMS WHICH ARE OTHERWISE PERMITTED FOR THEIR MEMBERS
AS INDIVIDUAL ACTUAL USERS. THESE SOCIETIES OR
ASSOCIATIONS WILL ARRANGE TO DISTRIBUTE THE IMPORTED
GOODS TO THEIR BENEFICIARY ACTUAL USERS.

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12. EXPORT BAN/RELAXATION. EFFECTIVE 10 MAY 1978, THE GOI HAS COMPLETELY BANNED EXPORTS OF THE 142 ITEMS UNDER "WILD LIFE" AND OF THE 47 ITEMS UNDER "SEEDS, STEMS, ROOTS, BOTH DRY AND GREEN INCLUDING MEDICINAL PLANTS AND ORCHIDACEAS", BOTH LISTED IN EXPORT CONTROL ORDER (ECO) - SCHEDULE I - PART A (EPB PAGES 76-81). GOI ALSO NOTIFIED THE SAME DAY THAT EXPORTS OF MANY OTHER ITEMS, INCLUDING 76 ITEMS UNDER WILDLIFE, 14 ITEMS UNDER PLANTS AND 12 ITEMS UNDER ORCHIDACEAS, ALL LISTED IN ECO-SCHEDULE I-PART B, WILL BE PERMITTED ON COMPLETION OF CERTAIN PROCEDURES AND DOCUMENTS.

13. EFFECTIVE 1 MAY 1978, THE GOI LIFTED THE BAN ON THE EXPORT OF WHEAT SEEDS. THESE EXPORTS, HOWEVER, WILL BE SUBJECT TO THE PRODUCTION OF A QUALITY CONTROL CERTIFICATE FROM THE GOI NATIONAL SEEDS CORPORATION. EFFECTIVE THE SAME DAY, THE GOI ALLOWED EXPORTS OF MEAT (OF INDIAN SHEEP AND GOAT) DURING 1978-79 WITHIN A LIMITED CEILING ON A "FIRST COME FIRST SERVED" BASIS, SUBJECT TO A MINIMUM EXPORT PRICE OF RS. 12.50 PER KG. (FOB). THE GOI HAD ALLOWED THE EXPORT OF FIVE FEMALE BUFFALOES (ONLY CULL) AND MALE BUFFALOES NOT USED FOR BREEDING AND DROUGHT UNCLASSIFIED

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PURPOSES UP TO 31 MAY 1978 AT A PRICE NOT BELOW THE PRESCRIBED MINIMUM AND SUBJECT TO CERTIFICATION BY SPECIFIED COMPETENT AUTHORITIES.

14. EXPORT PRICES. MANY INDIAN EXPORT ITEMS ARE SUBJECT TO CERTAIN MINIMUM (FLOOR) EXPORT PRICES. DETAILED INFORMATION REGARDING SUCH RESTRICTIVE BARRIERS TO TRADE IS ALSO CONTAINED IN SOME OF THE NUMEROUS GOI NOTIFICATIONS. MINISTRY OF COMMERCE ISSUED AN ORDER ON 8 MAY 1978 AND PRESCRIBED MINIMUM EXPORT PRICES FOR CERTAIN CATEGORIES OF FOOTWEAR (AN OGL ITEM). THESE CATEGORIES COVERED SPECIFIED TYPES OF CHAPPALS/SANDALS; CANVAS SHOES AND RUBBER/PVC BOOTS; AND CERTAIN CLOSED LEATHER SHOES. MINIMUM EXPORT PRICES WERE ALSO NOTIFIED ON 23 MAY 1978 FOR DIFFERENT VARIETIES OF BARYTES. N 29 MAY 1978 MINIMUM EXPORT PRICES WERE LISTED FOR 21 COIR PRODUCTS AND THEIR VARIOUS GRADES. IN SUCH CASES GOI AUTHORITIES DO NOT REGISTER SUCH EXPORT CONTRACTS, WHICH PROVIDE FOR RETENTION

OF A PORTION OF THE VALUE FOR PAYMENT AFTER INSPECTION OF
GOODS ON ARRIVAL. SUCH RESTRICTIVE STIPULATIONS AS
CERTAIN EXTRA COSTS, SELLING COMMISSION, COST OF CREDIT
TO THE BUYER ETC. ARE TO BE COVERED OVER AND ABOVE THE
MINIMUM EXPORT PRICE.

15. COMMENTS. REPRESENTATIVES OF INDUSTRY AND TRADE
SUBMIT MEMORANDA TO GOI ON THEIR VARIOUS PROBLEMS RELATING
TO IMPORT/EXPORT POLICY AND PROCEDURAL MATTERS. BASED
ON THESE AND OTHER CONSIDERATIONS, MINISTRIES OF FINANCE
AND COMMERCE ISSUE NUMEROUS NOTIFICATIONS WHICH MAKE
TARIFF AND NON-TARIFF MEASURES MORE OR LESS RESTRICTIVE.
TRADE CIRCLES ARE NOW AGGRIEVED BECAUSE OF THE ADVERSE
INTERPRETATIONS OF MANY REGULATIONS BY THE INDIAN
CUSTOMS AUTHORITIES. LACK OF COORDINATION BETWEEN FINANCE
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AND COMMERCE IS ANOTHER PROBLEM, WHICH INDUSTRY/TRADE
REPRESENTATIVES TRY TO LESSEN BY FREQUENT MEETINGS
AT MAJOR TRADE CENTERS WITH GOI OFFICIALS. TRADE
REPRESENTATIVES ARE HOPEFUL THAT GOI AUTHORITIES WILL
SOON REMOVE THE AMBIGUITIES IN THE IMPORT/EXPORT POLICY
PROCEDURES.
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